

WET MARINE AND TRANSPORTATION TAX INSTRUCTIONS

Title 18, Delaware Code, Section 702:

(e) Tax on wet marine and transportation insurance underwriting profits:

(1) Each authorized insurer and formerly authorized insurer shall, with respect to all wet marine and transportation insurance written within this State, pay a tax of 5% upon its taxable underwriting profit, ascertained as, hereinafter provided, from such insurance written within this State;

(2) The underwriting profit on such insurance written within this State shall be that proportion of the total underwriting profit of such insurer from such insurance written within the United States which the amount of net premiums of such insurer from such insurance written within this State bears to the amount of net premiums of such insurer from such insurance written within the United States;

(3) The underwriting profit of such insurer on such insurance written within the United States shall be determined by deducting from the net earned premiums on such wet marine and transportation insurance written the United States during the taxable year, meaning thereby the calendar year next preceding the date on which such tax is due, the following items:

a. Net losses incurred, meaning gross losses incurred during such calendar year under such wet marine and transportation insurance contracts written within the United States, less reinsurance claims collect or collectible and less net salvages or recoveries collected or collectible from any source applicable to the corresponding losses under such contracts;

b. Net expenses incurred in connection with such wet marine and transportation insurance contracts, including all state and federal taxes in connection therewith, but in no event shall the aggregate amount of such net expenses deducted exceed 40% of the net premiums on such wet marine and transportation insurance contracts, ascertained as hereinafter provided; and

c. Net dividends paid or credited to policyholders on such wet marine and transportation insurance contracts;

(4) In determining the amount of such tax, net earned premiums on such wet marine and transportation insurance contracts written within the United States during the taxable year shall be arrived at as follows:

From gross premiums written on such contracts during the taxable year deduct any and all return premiums, premiums on policies not taken, premiums paid for reinsurance of such contracts and net unearned premiums on all such outstanding contracts at the end of the taxable year and add to such amount net unearned premiums

on such outstanding wet marine and transportation insurance contracts at the end of the calendar year next preceding the taxable year;

(5) In determining the amount of such tax, net expenses incurred shall be determined as the sum of the following:

a. Specific expenses incurred on such wet marine and transportation insurance business, consisting of all commissions, agency expenses, taxes, licenses, fees, loss adjustment expenses and all other expenses incurred directly and specifically in connection with such business, less recoveries or reimbursements on account of or in connection with such commissions or other expenses collected or collectible because of reinsurance or from any other source;

b. General expenses incurred on such wet marine and transportation insurance business, consisting of that proportion of general or overhead expenses incurred in connection with such business which the net premiums on such wet marine and transportation insurance written during the taxable year bear to the total net premiums written by such insurer from all classes of insurance written by it during the taxable year. Within the meaning of this paragraph, general or overhead expenses shall include salaries of officers and employees, printing and stationery, all taxes of this State and of the United States, except as included in paragraph a. above, after deducting expenses specifically chargeable to any or all other classes of insurance business;

(6) In determining the amount of such tax, the taxable underwriting profit of such insurer on such wet marine and transportation insurance business written within this State shall be ascertained as follows:

a. In the case of every such insurer which has written any such business within this State during 3 calendar years immediately preceding the year in which such taxes were payable, the taxable underwriting profit shall be determined by adding or subtracting, as the case may be, the underwriting profit or loss on all such insurance written within the United States, ascertained as hereinbefore provided, for each of such 3 years, and dividing by 3;

b. In the case of every such insurer other than as specified in paragraph a., such taxable underwriting profit, if any, shall be the underwriting profit, if any, on such wet marine and transportation insurance business written within this State during the taxable year ascertained as hereinbefore provided; but after such insurer has written such wet marine and transportation insurance business within this State during 3 calendar years, an adjustment shall be made on the 3-year average basis by ascertaining the amount of tax payable in accordance with paragraph a. above, but no refunds of all or any part of such payment shall be made, except as provided in § 707;

(7) The tax hereinbefore provided shall be paid annually, on or before the 1st day of June, by every insurer authorized to do in this State the business of wet marine and transportation

insurance during any one or more of the next preceding 3 calendar years, and the calendar year next preceding such June 1st shall be deemed the taxable year within the meaning of this section;

(8) Every insurer liable to pay the tax hereinbefore provided under this subsection (d) shall, on or before the 1st of June of each year, file with the Commissioner a tax return in form prescribed by the Commissioner;

(9) the tax provided for in this subsection (d) shall apply to the business of the year ending December 31, 1968, and to subsequent years, and for such purpose the underwriting profits or losses of prior years shall be taken into account, as hereinbefore provided. Section 2702 of this title and in force immediately prior to November 1, 1968, shall continue to be effective with respect to all taxes due under such section, but this provision shall not be construed as imposing any duplication of taxes for any of such years.